



Commodity Credit Corporation

Background

The Commodity Credit Corporation (CCC) is a Government-owned and operated entity which was created to stabilize, support, and protect farm income and prices. CCC also helps maintain balanced and adequate supplies of agricultural commodities and helps in their orderly distribution.

CCC was incorporated October 17, 1933, under a Delaware charter with a capitalization of \$3 million. It was initially managed and operated in close affiliation with the Reconstruction Finance Corporation, which funded its operations. On July 1, 1939, CCC was transferred to the United States Department of Agriculture (USDA) by the President's Reorganization Plan I. It was reincorporated on July 1, 1948, as a Federal corporation within USDA by the Commodity Credit Corporation Charter Act (62 Stat. 1070; 15 U.S.C. 714).

Basic Responsibilities

The CCC Charter Act, as amended, aids producers through loans, purchases, payments, and other operations, and makes available materials and facilities required in the production and marketing of agricultural commodities. Farmers who have participated in the wheat, feed grains, cotton, and rice programs in any one of the past 5 years can enter into 7-year production flexibility contracts for 1996-2002 whereby producers may receive government payments largely independent of farm prices and specific crop production, in contrast to the past when deficiency payments were dependent on farm prices and the production of specific crops.

The CCC Charter Act also authorizes the sale of agricultural commodities to other government agencies and to foreign governments, and food donations to domestic, foreign, or international relief agencies. CCC also assists in the development of new domestic and foreign markets and marketing facilities for agricultural commodities.

Organization

CCC is managed by a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex officio director and chairperson of the Board. The Board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate. The members of the Board and the Corporation's officers all are officials of USDA.

CCC has no operating personnel. Its price support, storage, and reserve programs, and its domestic acquisition and disposal activities for price-supported commodities, are carried out primarily through the personnel and facilities of the Farm Service Agency (FSA).

Other USDA Agencies

CCC also uses the services of other USDA agencies to carry out its authorities and responsibilities. The Agricultural Marketing Service (AMS) occasionally uses CCC authority to acquire various commodities for domestic and foreign food assistance programs. Export sales (except for tobacco and peanuts) and foreign

assistance disposal of CCC-controlled stocks are administered through the General Sales Manager of the Foreign Agricultural Service (FAS).

Officers of CCC, directly or through officials of designated USDA agencies, maintain liaison with numerous other governmental and private trade operations. CCC's commodity programs must be approved by the Board of Directors and/or the Secretary of Agriculture.

Financing

CCC has an authorized capital stock of \$100 million held by the United States, with the authority to have outstanding borrowings of up to \$30 billion at any one time. Public Law 95-279, approved May 15, 1978, increased the statutory borrowing authority to \$25 billion from \$20 billion, to the extent provided in appropriation acts. The Fiscal Year 1982 Supplemental Appropriation Act, P.L. 97-257, increased the availability to \$25 billion. The Fiscal Year 1988 Appropriation Act, P.L. 100-202, increased the statutory borrowing authority to \$30 billion.

Funds are borrowed from the Treasury and may also be borrowed from private lending agencies and others. CCC reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the U. S. government as of the preceding month. Interest may also be paid on other notes and obligations at a rate prescribed by CCC and approved by the Secretary of the Treasury.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the CCC's borrowings from the Treasury equal to the unreimbursed realized losses recorded on CCC's books after the end of the fiscal year in which such losses are realized.

Support Activities

Commodity support operations, handled primarily through loan, purchase and payment programs, include those for wheat, corn, oilseeds, cotton (upland and extra long staple), rice, tobacco, milk and milk products, barley, oats, sorghum, peanuts, and sugar. Farmers may receive basic nonrecourse commodity loans on most commodities at a designated rate per unit (loan rate) by pledging and storing a quantity of a commodity as collateral. Effective with the 1996 Farm Bill (Federal Agriculture Improvement and Reform Act), CCC now funds various conservation programs, such as Conservation Reserve Program, Wetlands Reserve Program, and the Environmental Quality Incentives Program.

Proposals for support programs usually are prepared by FSA divisions in the form of a docket — a group of documents covering economic and other factors upon which the proposal is based, total funds required, proposed method of support, conditions of eligibility, basic operating

provisions, and other information relative to the proposal.

When a program is approved by the Board of Directors and/or the Secretary of Agriculture, USDA releases a public announcement, usually a press release. Regulations are published in the Federal Register, and detailed operating instructions are sent to personnel in charge of administering the program in Washington and field offices. FSA county office personnel assist farmers in the preparation of documents and keep them informed of program details.

Inventory Operations

CCC is authorized to transport, store, process, and dispose of various agricultural commodities and their products. CCC provides storage adequate to fulfill its program needs by contracting commercial warehouses to store agricultural commodities in county and terminal locations. In carrying out support programs, the CCC acquires its inventory in two principal ways:

"Takeover" — If a producer does not redeem the commodity by loan repayment time, CCC takes title and possession of the commodity which was pledged as collateral for the nonrecourse price-support loan.

Nonrecourse loans are defined as loans that producers are not obligated to repay or fulfill. Instead, producers have the option to deliver and/or forfeit the collateral (the commodity) to CCC. Settlement of the loan is then made at the loan rate based on the quantity and quality of the commodity involved. CCC also offers recourse loans; however, the loans cannot be forfeited and commodities involved are not generally a source of CCC inventory.

Purchases — Support for milk and milk products is carried out through purchases of butter, cheese, and

nonfat dry milk from processors and handlers.

There are no CCC support programs for processed products, other than dairy products. Sugar is processed raw cane sugar and refined beet sugar. Many commodities, such as wheat, corn, and oats are stored in raw, bulk form by CCC and require considerable processing before they can be used for food.

Commodities and products acquired through purchase either go immediately into available outlets or are placed in CCC's inventory.

CCC is authorized to contract for the use of privately owned facilities in carrying out its activities. CCC also has authority to acquire personal property and to rent or lease office space necessary for its business. CCC is prohibited from acquiring real property, or any interest in property, except for the purpose of protecting its financial interests and for providing adequate storage to carry out its programs.

Disposal Operations

The sale, donation, or transfer of CCC-owned commodities is handled by FSA's Kansas City Commodity Office (KCCO), 8930 Ward Parkway, Kansas City, MO; mailing address P.O. Box 419205, Kansas City, MO, 64141-6205.

KCCO makes sales at fixed prices or through competitive bids. Information on CCC-owned commodities available for sale, or barter (if authorized), is contained in a CCC Sales List issued by USDA at the end of each month and effective for the following month.

In pricing commodities for unrestricted domestic use, CCC-owned commodities generally are sold at the market price, as CCC determines, but not less than the current county loan repayment rate in effect at time of sale, adjusted for location, applicable quality factors, plus

reasonable carrying charges. Commodities in danger of loss or waste through deterioration or spoilage are exempted from the minimum price restriction, as are wool, peanuts and oilseeds, under certain conditions. CCC sales of nonstorable commodities such as dairy products are also exempt from the minimum pricing requirements, but sales are made at prices moderately above the current support level for unrestricted domestic use.

For further information on the sale of CCC-owned commodities, contact: Warehouse and Inventory Division, Farm Service Agency, Stop 0553, P.O. Box 2415, Washington, DC 20013-2415.

Domestic Food Assistance Programs

In certain circumstances, CCC is authorized to donate food commodities acquired through price-support programs or from purchases in the commercial marketplace to the Bureau of Indian Affairs, and Federal, State, and private agencies. The commodities are used in the United States for school lunch programs, summer camps for children, and the assistance of needy persons. They are also used in charitable institutions, including hospitals, to the extent needy persons are served. In most instances, arrangements are made to process the commodities into food.

CCC also provides surplus dairy products to the armed services and to veterans' hospitals without charge, except for the cost of packaging. CCC also donates food acquired through support programs to Federal penal and correctional institutions and State correctional institutions for minors, except where service is provided on a concessional basis. CCC makes available to the

Secretary of the Interior grain acquired through support operations to be used as feed for migratory waterfowl for the purpose of preventing crop damage. The Secretary of the Interior may also requisition CCC-owned grain for feeding starving migratory birds, and any State may requisition CCC-owned grain upon the finding of the Secretary of the Interior that resident game birds and other resident wildlife are threatened with starvation.

CCC makes available farm commodities or products in areas of acute economic distress, and in connection with certain major disasters, as determined by the President of the United States.

Export Programs

CCC promotes the export of U.S. agricultural commodities and products through sales, payments, direct credits and the conduct of other activities related to the exportation of commodities. Currently, CCC uses credit guarantees and export bonus payments to promote exports.

CCC Export Credit Guarantee Programs

CCC administers two export credit guarantee programs — the Export Guarantee Program (GSM-102) and the Intermediate Export Credit Guarantee Program (GSM-103). They were established to insure financing for sales of U.S. agricultural commodities overseas.

GSM-102 provides coverage for financing with repayment terms from 90 days to 3 years. GSM-103 provides coverage on credit on terms longer than 3 but less than 10 years. Currently, maximum terms under GSM-103 do not exceed 7 years. The 1996 Farm Bill establishes annual combined program levels for GSM-102 and GSM-103 of \$5.5 billion.

These two programs allow foreign buyers to purchase U.S. agricultural commodities from private U.S. exporters with U.S. banks providing financing to the importers' banks on commercial terms. Under both GSM-102 and GSM-103, CCC guarantees, but does not finance, the export of the commodities. CCC typically insures up to 98 percent of the principal and a portion of the interest. Both guarantee programs provide variable interest coverage that is based on a percentage of the average investment rate of the 52-week Treasury Bill.

GSM-102 and GSM-103 operate in countries where credit is necessary to increase or maintain U.S. exports, and private financial institutions may be unwilling to provide financing without CCC's guarantee.

The 1996 Farm Bill also authorizes a Supplier Credit Guarantee Program. Under this program, CCC guarantees a portion of the payments due from a private importer under short-term financing (up to 180 days) that exporters have extended directly to importers for the purchase of U.S. agricultural products.

Export Enhancement Program

The Export Enhancement Program (EEP) helps products produced by U.S. farmers meet the competition from other exporting countries that subsidize farm products, especially the European Union. Under the program, USDA pays cash to U.S. exporters as a bonus, allowing them to sell U.S. agricultural products in targeted countries at prices below those the exporter pays to acquire them.

Dairy Export Incentive Program

The Dairy Export Incentive Program (DEIP) helps exporters of U.S. dairy products meet prevailing world prices for some dairy products and

destinations. Under DEIP, USDA pays cash to U.S. exporters as bonuses, and it allows them to sell certain U.S. dairy products at prices below the exporter's costs of acquisition.

Both EEP and DEIP challenge unfair trade practices and encourage other countries exporting agricultural products to undertake serious negotiations on agricultural trade problems. USDA announced EEP and DEIP on May 15, 1985. The United States, as part of its World Trade Organization commitments resulting from the Uruguay Round Agreement on Agriculture, has established annual export subsidy ceilings. The ceilings are by commodity and entail maximum permitted quantities, effective

July 1, 1995, and maximum budgetary expenditures, effective October 1, 1995.

The Market Access Program

Under the Market Access Program (MAP), USDA uses funds or commodities from CCC to encourage the development, maintenance and expansion of commercial export markets for agricultural commodities through cost-share assistance to eligible trade organizations that implement a foreign market development program. MAP is administrated by FAS through cooperative agreements between CCC and nonprofit agricultural trade commodity groups.

For information on export sales programs, contact: The General Sales Manager, Foreign Agricultural Service, USDA, Washington, DC 20250.

The U. S. Department of Agriculture (USDA) prohibits discrimination in its programs on the basis of race, color, national origin, sex, religion, age, disability, political beliefs and marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (braille, large print, audiotape, etc.) should contact the USDA, Office of Communications at (202) 720-2791.

To file a complaint, write the Secretary of Agriculture, U.S. Department of Agriculture, Washington, D.C., 20250, or call (202) 720-7327 (voice) or (202) 720-1127 (TDD). USDA is an equal employment opportunity employer.
